

PUBLIC SERVICE COMMISSION OF WISCONSIN

Minutes and Informal Instructions of the Open Meeting of Thursday, November 14, 2019

The Public Service Commission of Wisconsin (Commission) met as noticed. Present were Commissioner Nowak and Commissioner Huebsch. Chairperson Valcq participated via phone.

Minutes

The Commission approved the minutes of the open meeting of Thursday, November 7, 2019.

6220-CE-105 - Application of the City of Waterloo, as an Electric Public Utility, for a Certificate of Authority to Construct a New Substation and Line Extension on their Distribution System, in the City of Waterloo, Jefferson County, Wisconsin

The Commission approved the Notice of Investigation and directed it to be signed by the Secretary to the Commission.

5390-CW-101 - Application of the Town of Shelby Sanitary District No. 2, as a Water Public Utility, for Authority to Construct Water Supply Improvements, in the Town of Shelby, La Crosse County, Wisconsin

The Commission approved the Notice of Investigation and directed it to be signed by the Secretary to the Commission.

3720-CW-135 - Application of the City of Milwaukee, as a Water Public Utility, for Authority to Construct a Water Supply Pumping Station and Pipeline, in the City of Milwaukee, Milwaukee County, Wisconsin

The Commission approved the Notice of Proceeding and directed it to be signed by the Secretary to the Commission.

3270-ER-100 - Application of Madison Gas and Electric Company for Approval of its 2020 Fuel Cost Plan

The Commission reviewed the application filed on behalf of Madison Gas and Electric (MGE) for authorization to implement new electric rates according to its 2020 fuel cost plan and made preliminary determinations, including the following:

1. The Commission denied MGE's amendment to the Top of Iowa contract and accepted Commission staff's Adjustment 8, a \$1,306,204 decrease in fuel costs for the 2020 test year.

2. The Commission and accepted the uncontested alternatives for Issues 2 through 4 set forth in the Final Decision Matrix ([PSC REF#: 377965](#)).

The Commission directed the Division of Energy Regulation and Analysis to draft an order consistent with its discussion.

6680-ER-102 - Application of Wisconsin Power and Light Company for Approval of its 2020 Fuel Cost Plan

The Commission reviewed the application filed on behalf of Wisconsin Power and Light Company for authorization to implement new electric rates according to its 2020 fuel cost plan and accepted all of the uncontested alternatives set forth in the Final Decision Matrix ([PSC REF#: 377998](#)).

The Commission directed the Division of Energy Regulation and Analysis to draft an order consistent with its discussion.

5-UR-109 - Joint Application of Wisconsin Electric Power Company and Wisconsin Gas LLC for Authority to Adjust Electric, Natural Gas, and Steam Rates

The Commission reviewed the issues not addressed by the partial Settlement Agreement filed in this proceeding pursuant to Wis. Stat. § 196.026 in the joint application of Wisconsin Electric Power Company (WEPCO) and Wisconsin Gas LLC (WG), to adjust electric, natural gas, and steam rates, and made preliminary determinations, including the following:

1. The Commission accepted the uncontested alternatives for Issues 1 through 5, 14 through 16, and 20 as set forth in the Final Decision Matrix – Contested Issues issued on November 5, 2019 ([PSC REF#: 378838](#)). In connection with the uncontested fuel cost items, the Commission confirmed that it would allocate the fuel cost adjustments based upon class retail energy sales, with a \$/kWh adjustment (embedded credit) to base energy charges.
2. The Commission declined to adopt a specific electric Cost-of-Service Study (COSS) and instead relied upon multiple models for revenue allocation and rate design in this proceeding.
3. The electric revenue allocation proposed by Commission staff in Ex.-PSC-Kell-1, as adjusted for the final revenue requirement, is reasonable.

4. The electric rate design proposed by WEPCO in Ex.-WEPCO WG-Ferguson-2, with amendments proposed by WEPCO in Ex.-WEPCO WG-Ferguson-3, and as adjusted for the final revenue requirement, is reasonable.
5. The Commission accepted WEPCO's proposed Cp-1 customer distribution demand charges for the Cp-1 tariff and declined to modify the Cp-1 rate design as proposed by the Milwaukee Metropolitan Sewerage District.
6. The Commission modified the Cg-3 rate design to decrease the on-peak energy charge by 4.75 percent, with a corresponding decrease of 11.43 percent to the off-peak energy charge, consistent the proposal in the reply briefs of Walmart, Roundy's and RENEW Wisconsin.
7. The Commission did not authorize WEPCO's Residential Electric Vehicle (REV) pilot program.

Chairperson Valcq dissented and would have approved, with conditions, WEPCO's REV pilot.

8. The avoided capacity buyback rates for WEPCO's Customer Generation System (CGS) tariffs continue to be just and reasonable, and the record in this rate case does not support any changes to the methodology of calculating payments to customers for customer-owned generation.

Chairperson Valcq dissented and would have directed WEPCO to use Cost of New Entry (CONE), as determined by the Midcontinent Independent System Operators, Inc. (MISO), for avoided capacity costs for CGG capacity payments, and would have opened an investigation regarding methodologies establishing avoided costs for all Wisconsin electric utilities.

9. WEPCO shall work with Commission staff to develop a new analysis for the Energy for Tomorrow program for inclusion in WEPCO's next rate case or rate case settlement proceeding.
10. The Commission declined to adopt a specific natural gas COSS for Wisconsin Electric Power Company-Gas Operations (WE-GO) and instead relied upon multiple models for revenue allocation and rate design in this proceeding.
11. The natural gas revenue allocation and natural gas rate design for WE-GO proposed by Commission staff in Ex.-PSC-Hamill-1r, as adjusted for final revenue requirement, are reasonable.

12. The Commission declined to adopt a specific natural gas COSS for WG and instead relied upon multiple models for revenue allocation and rate design in this proceeding.
13. The natural gas revenue allocation and natural gas rate design for WG, as adjusted for final revenue requirement, are reasonable.
14. The Commission authorized natural gas tariff changes for telemetry, exempting customers who have already paid the \$1,250 fee from paying the daily fee, until January 1, 2030 or the date when the customer's meter is replaced, whichever occurs sooner.
15. In addition to the conditions previously imposed as part of the Settlement Agreement or as a condition of approval of the Settlement Agreement, it is reasonable to include the following additional conditions:
 - a. This Final Decision takes effect one day after the date of service.
 - b. The authorized rate increases and tariff provisions that restrict the terms of service may take effect January 1, 2020, provided that the utilities file these rates and tariff provisions with the Commission and makes them available to the public by that date. If these rate increases and tariff provisions are not filed with the Commission and made available to the public by that date, they take effect on the date they are filed with the Commission and made available to the public.
 - c. WEPCO and WG may revise its existing rates and tariff provisions for electric, natural gas, and steam utility service, substituting the rate increases and tariff provisions that restrict the terms of service, as shown in Appendices [XXXX], or as described in this Final Decision. These changes shall be in effect until the Commission issues an order establishing new rates and tariff provisions.
 - d. The authorized rate decreases and tariff provisions that expand the terms of service shall take effect January 1, 2020. WEPCO and WG shall file these rate decreases and tariff provisions with the Commission and make them available to the public by that date.
 - e. By January 1, 2020, WEPCO and WG shall revise its existing rates and tariff provisions for electric, natural gas, and steam utility service, substituting the rate decreases and tariff provisions that expand the terms of service, as shown in Appendices [XXX] or as described in this Final Decision. These changes shall be in effect until the Commission issues an order establishing new rates and tariff provisions.
 - f. WEPCO and WG shall prepare bill messages that properly identify the rates authorized in this Final Decision. WEPCO and WG shall provide the messages to customers no later than the first billing containing the rates authorized in this Final

- Decision, and shall file copies of these bill messages with the Commission before it provides the messages to customers.
- g. WEPCO and WG shall file tariffs consistent with this Final Decision.
 - h. The electric fuel costs in Appendix [X] shall be used for monitoring WEPCO's 2020 fuel costs pursuant to Wis. Admin. Code § PSC 116.06(3).
 - i. All 2020 fuel costs shall be monitored using a plus or minus 2 percent tolerance.
 - j. The escrow of network transmission charges and credits from ATC and MISO is extended through 2021. Any FERC-ordered ATC and MISO retroactive transmission asset rate of return refunds and any SSR costs and credit true-ups shall be escrowed for return to, or collection from, ratepayers in WEPCO's next fuel or rate case proceeding.
 - k. WEPCO shall amortize [\$XXXX] of escrowed uncollectible accounts expense annually for WEPCO's electric utility on a Wisconsin retail basis for 2020 and 2021 or until the Commission authorizes a different amortization expense to be recorded.
 - l. WEPCO shall amortize a negative amount of [\$XXXX] of escrowed uncollectible accounts expense annually for WE-GO for 2020 and 2021 or until the Commission authorizes a different amortization expense to be recorded.
 - m. WG shall amortize a negative amount of [\$XXXX] of escrowed uncollectible accounts expense annually for 2020 and 2021 or until the Commission authorizes a different amortization expense to be recorded.
 - n. WEPCO electric shall record [\$XXXX] of annual Agriculture Service Program expense, which consists of [\$XXXX] of estimated expenditures plus [\$XXXX] of amortization of overspent amounts.
 - o. WEPCO electric shall record [\$XXXX] of annual conservation escrow expense, which consists of [\$XXXX] of estimated expenditures plus [\$XXXX] of amortization of overspent amounts.
 - p. WE-GO shall record [\$XXXX] of annual conservation escrow expense, which consists of [\$XXXX] of estimated expenditures less a negative [\$XXXX] of amortization of underspent amounts.
 - q. WG shall record [\$XXXX] of annual conservation escrow expense, which consists of [\$XXXX] of estimated expenditures less a negative [\$XXXX] of amortization of underspent amounts.
 - r. The conservation escrow expense amounts shall continue to be recorded annually until a new rate order is issued by the Commission authorizing different amounts to be recorded.
 - s. Unless discussed separately in this Final Decision, the annual expense amounts itemized in exhibit Ex.-WEPCO/WG-Zgonc-6r, shall be recorded for all items listed for 2020 and 2021 or until the Commission authorizes a different amortization expense to be recorded.
 - t. WEPCO shall maintain a long-term range of [XXX] percent to [XXX] percent for its common equity ratio, on a financial basis.

- u. WG shall maintain a long-term range of [XXX] percent to [XXX] percent for its common equity ratio, on a financial basis.
- v. WEPCO and WG shall submit ten-year financial forecasts in their next rate proceedings.
- w. WEPCO shall not pay dividends in excess of the amount forecasted in this proceeding if such dividends cause the average annual common equity ratio, on a financial basis, to fall below the test-year authorized level of [XXX] percent. WEPCO shall not pay a special dividend in excess of the forecasted dividends at the end of the year unless the additional payment does not reduce the average annual common equity ratio, on a financial basis, below the forecasted level of [XXX] percent.
- x. WG shall not pay additional dividends above those estimates deemed reasonable in this proceeding without prior Commission approval, if, after the payment of such dividends, the actual average common equity ratio, on a financial basis, would be below the test-year authorized level of [XXX] percent.
- y. WEPCO shall submit in its next rate case application detailed information regarding all off-balance sheet obligations for which the financial markets will calculate a debt equivalent. The information shall include, at minimum, the minimum annual lease and purchased power agreement obligations; the method of calculation along with the calculated amount of the debt equivalent; and supporting documentation, including all reports, correspondence and any other justification that clearly establish Standard & Poor's and other major credit rating agencies' determination of the off-balance sheet debt equivalent, to the extent available, and publicly available documentation if Standard & Poor's and other credit rating agencies' documentation is not available.
- z. All authorized amortization shall begin on January 1, 2020, or as of the effective date of this Final Decision, whichever is later.
- aa. Jurisdiction is retained.
- bb. The provisions of the Settlement Agreement are effective on the dates set forth in the Settlement Agreement, subject to the Commission issuing a Final Decision in this matter.
- cc. The Commission's determination in this matter is based on the specific facts presented in the Settlement Agreement, is not precedential, and shall not be construed as applicable to any other situation outside of this particular settlement.
- dd. WEPCO shall work with Commission staff and the Wisconsin Industrial Energy Group (WIEG) to address in WEPCO's next rate case or rate case settlement filing changes to the seasonable differentials from Cp-1 Primary Time of Use class to the Cp-FN rate, and to review reopening the Cp-FN rate to new customers.
- ee. Not more than 30 days after WEPCO files a proposal to retire an electric generating plant with a regional transmission organization, WEPCO shall provide that proposal in its entirety to the Commission, including Commission staff.
- ff. The materials provided to Commission staff as part of generating plant retirement proposals shall include MISO's forms for Attachment Y, Attachment Y1, and

Attachment Y2, any supporting documents referenced in those forms, and any other documents submitted as part of the proposal.

The Commission directed the Division of Energy Regulation and Analysis to draft a final decision consistent with the Commission's preliminary determinations made approving the Settlement Agreement on October 31, 2019 and its additional determinations, and that the final decision be returned to the Commission for approval.

6690-UR-126 - Application of Wisconsin Public Service Corporation for Authority to Adjust Electric and Natural Gas Rates

The Commission reviewed the issues not addressed by the partial Settlement Agreement filed in this proceeding pursuant to Wis. Stat. § 196.026 in the application of Wisconsin Public Service Commission (WPSC) to adjust electric and natural gas rates, and made preliminary determinations, including the following:

1. The Commission accepted the uncontested alternatives for Issues 1 through 5, 14, and 16 as set forth in the Final Decision Matrix – Contested Issues issued on November 5, 2019 ([PSC REF#: 378839](#)). In connection with the uncontested fuel cost items, the Commission confirmed that it would allocate the fuel cost adjustments based upon class retail energy sales, with a \$/kWh adjustment (embedded credit) to base energy charges.
2. The Commission authorized recovery for 100 percent of the cost overruns for the ReACT multi-pollutant control system and 100 percent of the ReACT regulatory asset.

Chairperson Valcq dissented and would have disallowed earnings on plant in service balances for the project's cost overruns due to WPCS's failure to promptly notify the Commission.

3. The Commission authorized recovery of the ReAct regulatory asset over eight years.
4. The Commission declined to adopt a specific electric Cost-of-Service Study or Studies (COSS) and instead relied upon multiple models for revenue allocation and rate design in this proceeding.
5. The electric revenue allocation and rate design proposed by Commission staff in Ex.-PSC-Kell-1, as adjusted for the final revenue requirement, are reasonable.
6. It is reasonable to authorize the elimination of WPSC's Direct Load Control Program.

7. The Commission did not authorize WPSC's Residential Electric Vehicle (REV) pilot program.

Chairperson Valcq dissented and would have approved, with conditions, WPSC's REV pilot.

8. The avoided capacity buyback rates for WPSC's PG-2A and PG-2B tariffs continues to be just and reasonable, and the record in this rate case does not support any changes to the methodology of calculating payments to qualifying facilities that take service under the PG-2A and PG-2B tariffs.

Chairperson Valcq dissented and would have directed WPSC to use Cost of New Entry (CONE), as determined by the Midcontinent Independent System Operators, Inc. (MISO), for avoided capacity costs the PG-2A and PG-2B tariffs capacity, and would have opened an investigation regarding methodologies establishing avoided costs for all Wisconsin electric utilities.

9. WPSC shall work with Commission staff to develop a new analysis for the Naturewise for inclusion in WPSC's next rate case or rate case settlement proceeding.
10. The Commission declined to adopt a specific natural gas COSS for WPSC and instead relied upon multiple models for revenue allocation and rate design in this proceeding.
11. The natural gas revenue allocation and natural gas rate design for WPSC proposed by Commission staff, as adjusted for final revenue requirement, are reasonable.
12. In addition to the conditions previously imposed as part of the Settlement Agreement or as a condition of approval of the Settlement Agreement, it is reasonable to include the following additional conditions:
 - a. This Final Decision takes effect one day after the date of service.
 - b. The authorized rate decreases and tariff provisions that expand the terms of service shall take effect January 1, 2020. WPSC shall file these rate decreases and tariff provisions with the Commission and make them available to the public pursuant to Wis. Stat. § 196.19 and Wis. Admin. Code § PSC 113.0406(1)(a) and 134.13(1)(b) by that date.
 - c. By January 1, 2020, WPSC shall revise its existing rates and tariff provisions for electric and natural gas utility service, substituting the rate decreases and tariff provisions that expand the terms of service, as shown in Appendices [X] and [X]

or as described in this Final Decision. These changes shall be in effect until the Commission issues an order establishing new rates and tariff provisions

- d. The authorized rate increases and tariff provisions that restrict the terms of service may take effect no sooner than January 1, 2020, provided that the utility files these rates and tariff provisions with the Commission and makes them available to the public pursuant to Wis. Stat. § 196.19 and Wis. Admin. Code § PSC 113.0406(1)(a) and 134.13(1)(b) by that date. If these rate increases and tariff provisions are not filed with the Commission and made available to the public by that date, they take effect one day after the date they are filed with the Commission and made available to the public.
- e. WPSC may revise its existing rates and tariff provisions for electric and natural gas utility service, substituting the rate increases and tariff provisions that restrict the terms of service, as shown in Appendices [X] and [X] or as described in this Final Decision. These changes shall be in effect until the Commission issues an order establishing new rates and tariff provisions.
- f. WPSC shall prepare bill messages that properly identify the rates authorized in this Final Decision. WPSC shall provide the messages to customers no later than the first billing containing the rates authorized in this Final Decision, and shall file copies of these bill messages with the Commission before it provides the messages to customers.
- g. WPSC shall file tariffs consistent with this Final Decision.
- h. The electric fuel costs in Appendix [X] shall be used for monitoring WPSC's 2020 fuel costs pursuant to Wis. Admin. Code § PSC 116.06(3).
- i. All 2020 fuel costs shall be monitored using a plus or minus 2 percent tolerance band.
- j. The escrow of network transmission charges and credits from ATC and MISO is extended through 2021. Any FERC-ordered ATC and MISO retroactive transmission asset rate of return refunds and any SSR costs and credit true-ups shall be escrowed for return to, or collection from, ratepayers in WPSC's next fuel or rate case proceeding.
- k. WPSC shall record annual conservation escrow accrual amounts for the 2020 test year of \$[XXXX] for electric operations and \$[XXXX] for natural gas operations. The level for electric utility operations consists of forecasted conservation expenditures of \$[XXX] plus the amortization of the overspent amount of \$[XXXX]. The level for natural gas operations consists of forecasted conservation expenditures of \$[XXX] less the amortization of the underspent amount of \$[XXXX]. WPSC shall continue to record these expense amounts annually until they are superseded by a Commission order authorizing new conservation escrow accruals.
- l. WPSC shall record annual farm rewiring escrow accrual amounts for the 2020 test year of \$[XXXX], which is comprised of \$[XXXX] of estimated farm rewiring expenditures less the amortization of the underspent amount of \$[XXXX]. WPSC

shall continue to record these expense amounts annually until they are superseded by a Commission order authorizing a new farm rewiring escrow accrual.

- m. Unless discussed separately in this Final Decision, the annual expense amounts itemized in Ex.-WPSC-Zgonc-6r, shall be recorded for all items listed for 2020 and 2021 or until the Commission authorizes a different amortization expense to be recorded.
- n. In future rate case filings, WPSC shall provide weather-normalized sales data for electric and natural gas operations at the rate schedule level.
- o. WPSC shall submit a 10-year financial forecast in its next rate case.
- p. WPSC shall maintain a long-term range of [XXX] percent to [XXX] percent for its common equity ratio, on a financial basis.
- q. WPSC shall not pay dividends in excess of the amount forecasted in this proceeding if such dividends cause the average annual common equity ratio, on a financial basis, to fall below the test-year authorized level of [XXX] percent. WPSC shall not pay a special dividend in excess of the forecasted dividends at the end of the year unless the additional payment does not reduce the average annual common equity ratio, on a financial basis, below the forecasted level of [XXX] percent.
- r. WPSC shall submit, in its next rate case application, detailed information regarding all off-balance sheet obligations for which the financial markets will calculate a debt equivalent. The information shall include, at a minimum: (1) the minimum annual lease and PPA obligations; the method of calculation along with the calculated amount of the debt equivalent; and supporting documentation, including all reports, correspondence and any other justification that clearly established S&P's and other major credit rating agencies' determination of the off-balance sheet debt equivalent, to the extent available, and publicly available documentation when S&P and other major credit rating agencies' documentation is not available.
- s. Jurisdiction is retained.
- t. The provisions of the Settlement Agreement are effective on the dates set forth in the Settlement Agreement, subject to the Commission issuing a Final Decision in this matter.
- u. The Commission's determination in this matter is based on the specific facts presented in the Settlement Agreement, is not precedential, and shall not be construed as applicable to any other situation outside of this particular settlement.
- v. Not more than 30 days after WPSC files a proposal to retire an electric generating plant with a regional transmission organization, WPSC shall provide that proposal in its entirety to the Commission, including Commission staff.
- w. The materials provided to Commission staff as part of generating plant retirement proposals shall include MISO's forms for Attachment Y, Attachment Y1, and Attachment Y2, any supporting documents referenced in those forms, and any other documents submitted as part of the proposal.

The Commission directed the Division of Energy Regulation and Analysis to draft a final decision consistent with the Commission's preliminary determinations made approving the Settlement Agreement on October 31, 2019 and its additional determinations, and that the final decision be returned to the Commission for approval.

The Commission adjourned the meeting at 12:30 p.m.

A handwritten signature in black ink, reading "Steffany Powell Coker". The signature is written in a cursive, flowing style.

Steffany Powell Coker
Secretary to the Commission

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